

ORDER NO. 3505

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton; and
Tony Hammond

Competitive Product Prices
Priority Mail Contract 157 (MC2016-23)
Negotiated Service Agreement

Docket No. CP2016-29

ORDER APPROVING AMENDMENT TO
PRIORITY MAIL CONTRACT 157

(Issued September 9, 2016)

I. INTRODUCTION

The Postal Service seeks to amend the negotiated service agreement for Priority Mail Contract 157.¹ For the reasons discussed below, the Commission approves the Amendment.

In Order No. 2878, the Commission approved the Priority Mail Contract 157 negotiated service agreement (Existing Agreement).² On September 8, 2016, the

¹ Notice of United States Postal Service of Amendment to Priority Mail Contract 157, with Portions Filed Under Seal, September 8, 2016 (Notice). The Amendment is an attachment to the Notice (Amendment).

² See Docket Nos. MC2016-23 and CP2016-29, Order Adding Priority Mail Contract 157 to the Competitive Product List, December 15, 2015 (Order No. 2878).

Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. Notice at 1. The Postal Service intends for the Amendment to become effective two business days after the date that the Commission completes its review of the Notice. *Id.*

II. COMMISSION ANALYSIS

The Commission has reviewed the Notice, and the accompanying materials filed under seal.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Amendment replaces section I.E of the Existing Agreement which relates to the volume commitment. Notice, Attachment A at 1. The Amendment also replaces introductory language in section I.G, and replaces all of section I.G.2, including Table B. *Id.* at 1-2. The replaced section I.G.2 and Table relate to volume requirements for particular pricing tiers. *Id.* The Postal Service states that the Amendment will not materially affect the Existing Agreement's cost coverage and that the "supporting financial documentation and financial certification initially filed in this docket remain applicable." Notice at 1.

Upon review, the Commission concludes that the Amendment does not materially affect the underlying financial analysis of the Existing Agreement. Thus, the Commission finds that the Existing Agreement, as amended, comports with the

provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

Other considerations. The Postal Service states that the Amendment shall become effective two business days after the date that the Commission completes its review. Notice at 1. The Existing Agreement, as amended, is set to expire three years after the initial effective date unless, among other things, either party terminates the contract with 30 days' written notice to the other party or it is renewed by mutual agreement.³

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as amended.

III. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves Priority Mail Contract 157, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.

By the Commission.

Stacy L. Ruble
Secretary

³ See Order No. 2878 at 5. Should both parties agree to renew the agreement, any such renewal is required to follow the requirements of 39 U.S.C. § 3633 and the Commission's implementing regulations of 39 C.F.R. part 3015.